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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 005515

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TAGS: [PREL](#) [PGOV](#) [TU](#)

SUBJECT: TURKEY/ARMENIA: ARMENIA LOSING OUT ON ECONOMIC
DEVELOPMENT; NAGORNO-KARABAKH GOING NOWHERE

REF: A. ANKARA 5471

[1](#)B. ANKARA 2446

[1](#)C. ANKARA 2410

Classified by Political Counselor Janice G. Weiner for
Reasons 1.4 (b,d)

[1](#)1. (C) Summary: Turkish MFA DDG for Caucasus and Central Asia Huseyin Avni Karslioglu told us September 14 that given Turkey's concrete efforts to improve economic and trade ties with the Caucasus and Central Asia via pipeline, road and railroad links, Armenia is starting to lose out economically. He does not believe a resolution to Nagorno-Karabakh is likely in the near future. End Summary

Armenia Not Helping Itself Economically

[1](#)2. (C) Karslioglu, speaking to us in the context of the GOT's recent response to Yerevan on creating government and historical commissions (ref a), noted that Turkey was unlikely to make a pre-emptive strike in relations by opening the border. It was too soon, he said; initial steps needed to come in the form of establishing diplomatic relations and opening Embassies. In part as a result, in his view, Armenia was losing out economically. Turkey has placed great emphasis on strengthening its economic ties with the Caucasus and Central Asia and is working on several joint projects. Armenia is being by-passed as Turkey works with countries such as Georgia, Azerbaijan and Kazakhstan to improve road and railroad connections. It is not just oil and gas pipelines that they are losing out on, he said. Circumventing Armenia was "not good," he said, but it is "their fault." They will be left out of all the decent transit routes, Karslioglu noted, though they could easily link in down the road. In his view, Armenia is missing out on greater integration, trade and friendships.

[1](#)3. (C) Giving several examples, Karslioglu described a project to improve the quality of road connections with Georgia, to improve trade volume and to provide an effective alternate transit route to Central Asia, circumventing Iran. The U.S. is funding a portion via the Millennium Challenge Account from Tbilisi to the Turkish border; Turkey will make improvements on its side. Turkey is also moving forward on the planned Kars-Tbilisi-Baku railroad project. The government has approved the feasibility study and next year's state budget contains funds to start work on Turkey's portion.

[1](#)4. (C) Karslioglu said the railway connection through Armenia still exists and that rehabilitating it would not be

difficult should it become politically feasible. He noted Armenia's railway connection to Russia goes through Georgia, and with deteriorating Georgian-Russian relations, Armenia's transit options could narrow even further. On the plus side, he added that the GOT has recently given permission for a second private airline to fly directly from Istanbul to Armenia and approved charter flights between Yerevan and Antalya.

Window of Opportunity Closed on Nagorno-Karabakh

15. (C) In Karslioglu's view, resolution of the Nagorno-Karabakh conflict is going nowhere; the window of opportunity has closed for now. Azerbaijan, in a strong position economically and militarily, has no incentive to rush to a referendum or other resolution; it can afford to wait it out for another 15 years, he said. Karslioglu noted in particular Azerbaijan's energy strength and said while its military is not currently in the best shape, given time it will be. The Azeri military budget alone is larger than the Armenian state budget, he pointed out. The sooner the Armenians come to grips with reality, the better. He described Azerbaijan as prepared to wait it out, knowing that Armenia cannot continue effectively to occupy N-K forever; Aliyev is young, he added. Karslioglu was skeptical about the OSCE Minsk Group's prospects for success. In reality, nothing has been achieved in 15 years, despite energetic efforts and commitment by the U.S. and others. He expressed skepticism that Russia has a real interest in having the Minsk Group work.

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